Government of Saskatchewan

Annual Report 1989 - 90

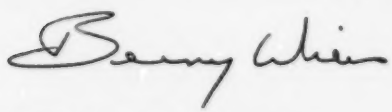
The Saskatchewan Agriculture Returns Stabilization Fund

To Her Honour
The Honourable Sylvia Fedoruk
Lieutenant Governor
Province of Saskatchewan

Madam:

I have the honour to submit the Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund for the twelve months ending March 31, 1990.

I have the honour to be, Madam,
Your obedient servant,



Bernhard H. Wiens
Minister of Agriculture and Food

Honourable Bernhard H. Wiens
Minister of Agriculture and Food

Dear Sir:

It is my pleasure to present the Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund for the twelve months ending March 31, 1990.

Respectfully submitted,

Stuart Kramer

Stuart Kramer
Deputy Minister of Agriculture and Food

Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund 1989-90

The Fund

The Saskatchewan Agricultural Returns Stabilization Fund was established pursuant to Section 5 of the Saskatchewan Agricultural Returns Stabilization Act. The Fund was established to carry out programs established under the Act.

The Fund has separate accounts for each market insurance program established pursuant to the Act. In 1989/90 the Fund had three accounts for the three market insurance plans. The accounts were:

a) the cow calf to finish account for the cow calf to finish market insurance plan;
b) the feeder finish account for the feeder finish market insurance plan; and
c) the Saskatchewan Hog Assured Returns Program account for the Saskatchewan Hog Assured Returns Program (SHARP).

Each account obtains revenue from levies assessed on eligible animals sold by participating producers. The levies paid by participating producers are matched by the Government of Saskatchewan. Whenever the plans make any payouts, they are made from the account. Each account earns interest on fund balances and pays interest on fund deficits.

When an account does not have a sufficient balance to make a payment, it can borrow money from the Consolidated Fund of the Province. The terms and conditions of these loans are determined by the Lieutenant Governor in Council.

Accounts in the Fund

1. Cow Calf to Finish Account

The Cow Calf to Finish Market Insurance Plan provides protection to producers who have a cow herd and finish their calves for slaughter. The support level is calculated on the basis of a cost of production model and includes all cash costs plus 50% of non cash costs.

Enrolment is based on the cow herd with payments based on actual marketings up to a maximum of 90 per cent of the enroled cow herd. The maximum enrolment is 200 slaughter animals per operator up to a maximum of three operators per production unit.

The plan is funded by a levy on slaughter animals. The long term levy is four per cent of the value of the slaughter animal matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy has been at six per cent since 1983 due to the large deficit.

Saskatchewan joined the national tripartite plan for beef on December 30, 1988. Coverage under the tripartite beef plan was retroactive to October 1, 1988. As a result of joining the tripartite plan, the cow calf to finish market insurance plan was phased down, terminating on March 31, 1990.

2. Feeder Finish Account

The Feeder Finish Market Insurance Plan provides protection to Saskatchewan residents who own or purchase feeder cattle and finish them for slaughter. The support level is calculated on the basis of a cost of production model for a 650 lb. steer finished to 1,050 lbs. The support formula is calculated as 93 per cent of the sum of all cash and non cash costs.

The maximum enrolment is based on whether the resident is a feedlot operator or a custom feeder. The maximum number of eligible finished cattle for any resident is 5,000.

The plan is funded by a levy on slaughter animals. The long term levy is two per cent of the value of a slaughter animal matched by the Government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy for 1989-90 was 4.0 per cent due to the deficit in the account. The decision to join the national tripartite stabilization, as described previously, resulted in the plan being phased down and terminated effective September 30, 1989.

3. SHARP Account

The Saskatchewan Hog Assured Returns Program provides protection to producers who finish hogs for slaughter. The support level is calculated on the basis of a cost of production model for a 65 sow farrow to finish operation. All cash costs and 75 per cent of non cash costs are included in the support formula.

Enrolment is based on the production unit which finishes hogs. The maximum enrolment is 1,500 hogs per quarter per production unit.

The plan is funded by a levy on finished hogs. The long term levy is three per cent of the value of a finished hog, matched by the Government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy for 1989-90 was 4.5 per cent.

Saskatchewan joined the national tripartite stabilization plan for hogs on January 1, 1986. As a consequence of joining the national tripartite plan, the level of support offered by SHARP will reduce until the plan is terminated on March 31, 1991.

Plan Operations

Slaughter Cattle Plans

Slaughter cattle prices increased from levels of a year ago. Payouts were made in every quarter under both the cow calf to finish plan and the feeder finish plan. The payouts in the cow calf plan remained very low and the level of enrolment declined substantially reflecting the reduced number of participants as the six year contracts expire.

The payouts in the feeder finish plan were large due to both high feeder prices and high feeding costs. The number of animals stabilized remained high for the final two quarters of the program.

Cow Calf to Finish Plan

	1989			1990
	Q2	Q3	Q4	Q1
Slaughter cattle covered	2990	1537	248	121
Support price[1] $/lb.	1.5857	1.5777	1.5580	1.5447
Market price[1] $/lb.	1.4021	1.3855	1.4661	1.5035
Average payout[1] $/lb.	.2018	.1663	.0504	.0411

[1]/ basis rail grade hog carcass weight

Feeder Finish Plan

	1989	1990
	Q2	Q3
Slaughter cattle covered	87,210	65,549
Support price[1] $/lb.	1.6116	1.5803
Market price[1] $/lb.	1.4021	1.3855
Average payout[1] $/lb.	.2269	.1622

[1]/ basis rail grade hot carcass weight

Hog Plan

SHARP made payouts all four quarters of 1989/90 due to low hog prices. Payments were small due to the phase over to the national tripartite plan for hogs.

	1989			1990
	Q2	Q3	Q4	Q1
Hogs in plan	189,997	173,202	173,575	168,131
Support price[1] $/lb. dressed	83.25	82.24	76.91	78.83
Market price[1] $/lb. dressed	56.30	61.88	61.43	61.20
Average payout[1] $/lb. dressed	1.83	.92	3.00	2.48

[1] reduced due to phase over provisions to join tripartite

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

FINANCIAL STATEMENTS

Year Ended March 31, 1990

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the balance sheet of the Saskatchewan Agricultural Returns Stabilization Fund as at March 31, 1990 and the statements of revenue, expenditure and fund balance and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in Note 1 to the financial statements.

W.K. Strelioff

W. K. Strelioff, C.A.
Provincial Auditor

Regina, Saskatchewan
September 4, 1991 except
as to Cow Calf to Finish
Market and Feeder Finish
Market Insurance Plans which
are as of October 1, 1991

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

BALANCE SHEET

As at March 31

Statement 1

	1990				1989
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	Total
ASSETS					
Cash	$ 28,138	$ 616,439	$ 2,507,553	$ 3,152,130	$ 2,494,270
Accounts receivable:					
- Department of Agriculture and Food (Note 3)	93,219	1,793,127	10,141,510	12,027,856	7,104,061
- Saskatchewan Pork Producers Marketing Board	199,893	---	---	199,893	238,088
- Producers (Note 3)	7,681	663,746	93,963	765,390	954,226
- Saskatchewan Beef Stabilization Board - producers trust account	---	(14,826)	(161)	(14,987)	1,389,646
- Agriculture Stabilization Board (Canada) (Note 3 and 6)	471,938	---	---	471,938	---
- Other	---	5,000	8,951	13,951	---
Accrued interest receivable	583	6,166	27,985	34,734	48,211
	$ 801,452	$ 3,069,652	$ 12,779,801	$ 16,650,905	$ 12,228,502
LIABILITIES AND FUND BALANCE					
Liabilities:					
Stabilization payable to producers	$ 1,148,054	$ 110,147	$ 11,160	$ 1,269,361	$ 7,702,307
Loans - Department of Agriculture and Food (Note 1(c))	33,989,692	48,646,214	71,986,775	154,622,681	122,680,573
Accrued interest payable	3,385	100,951	---	104,336	6,351,362
Other	---	2,124	31,423	33,547	---
Fund Balance:					
(Fund deficiency) - Statement 2 (Note 5)	(34,339,679)	(45,789,784)	(59,249,557)	(139,379,020)	(124,505,740)
	$ 801,452	$ 3,069,652	$ 12,779,801	$ 16,650,905	$ 12,228,502

(See accompanying notes to the financial statements)

Statement 2

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND
STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCE
For the Year Ended March 31

	1990				1989
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	Total
REVENUE					
Producer contributions (Note 5)	$ 345,077	$ 16,710	$ 3,640,378	$ 4,002,165	$ 9,834,652
Department of Agriculture and Food (Note 5)	345,077	16,710	3,640,378	4,002,165	9,834,652
Interest	12,958	57,755	347,226	417,939	332,342
	703,112	91,175	7,627,982	8,422,269	20,001,646
EXPENDITURE					
Stabilization to producers (Notes 5 and 6)	3,351,422	504,687	13,803,073	17,659,182	44,143,262
Loan interest (Note 1(c))	1,515,711	1,688,424	2,801,992	6,006,127	9,135,152
Loss on commodity trading	---	---	---	---	461,585
Bad debt expense (recovery)	116	(318,932)	(57,540)	(376,356)	482,142
Other	3,836	2,642	118	6,596	8,332
	4,871,085	1,876,821	16,547,643	23,295,549	54,230,473
(Deficiency) of revenue over expenditure (Note 3)	(4,167,973)	(1,785,646)	(8,919,661)	(14,873,280)	(34,228,827)
Fund balance (deficiency), beginning of year (Note 3)	(30,171,706)	(44,004,138)	(50,329,896)	(124,505,740)	(90,276,913)
Fund balance (deficiency), end of year (Notes 3, 5 and 6)	$(34,339,679)	$(45,789,784)	$(59,249,557)	$(139,379,020)	$(124,505,740)

(See accompanying notes to the financial statements)

Statement 3

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31

	1990	1989
Cash (used in) operations:		
(Deficiency) of revenue over expenditure	$(14,873,280)	$(34,228,827)
Net change in non-cash working capital balance	(16,410,968)	(3,954,907)
Cash used in operations	(31,284,248)	(38,183,734)
Cash provided by financing activities:		
Increase in loans advanced from the Department of Agriculture and Food	31,942,108	39,907,212
Net increase in cash during the year	657,860	1,723,478
Cash, beginning of year	2,494,270	770,792
Cash, end of year	$ 3,152,130	$ 2,494,270

(See accompanying notes to the financial statements)

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1990

1. Accounting Policies

These financial statements are prepared on the accrual basis of accounting. The following are the other significant accounting policies:

a) Revenue Recognition

Producer contributions and government contributions are recognized on the basis of slaughter date.

b) Government Contributions

In accordance with Section 6(2) of The Saskatchewan Hog Assured Returns Program Regulations, 1983 and in accordance with Section 7(2) of both The Cow Calf to Finish Market Insurance Plan Regulations and The Feeder Finish Market Insurance Plan Regulations, the Department of Agriculture and Food, from money appropriated under the Act, contributes a matching amount equal to the total of levies charged to participants.

c) Loans from the Department of Agriculture and Food

The following loans from the Department of Agriculture and Food can not be repaid from the future operations of the Fund and as a consequence they have been fully provided for in the financial statements of the Consolidated Fund. However, to maintain accountability of the stabilization programs, and until further direction is received from the Department, these loans will continue to be reflected in these financial statements at their carrying value.

Effective October 31, 1989, the terms and conditions for the following loans were changed by Order-in-Council 298/90 to provide that no interest be charged or assessed on these loans. Accordingly, these financial statements do not reflect any interest cost subsequent to October 31, 1989.

i) Saskatchewan Hog Assured Returns Program (SHARP)

In accordance with Section 9 of The Saskatchewan Agricultural Returns Stabilization Act (Act), loans from the Department of Agriculture and Food can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 288/86 authorized loans not exceeding $35 million to be made to the Fund. Up to October 31, 1989 these loans bore interest at a rate calculated April 1 and October 1 each year based on the preceding six month average cost of money to the Consolidated Fund for that period.

ii) Cow Calf to Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 1040/85 authorized loans not exceeding $50 million to be made to the Beef Stabilization Account. Up to October 31, 1989 these loans bore interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Consolidated Fund for each six month period. Order-in-Council 790/85 provided that no interest be charged on the first $13,127,303 of the loan.

iii) Feeder Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 713/89 authorized loans not exceeding $80 million to be made to the Beef Stabilization Account. Up to October 31, 1989 these loans bore interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Province for each six month period.

2. Authority

The Saskatchewan Agricultural Returns Stabilization Fund was established by The Saskatchewan Agricultural Returns Stabilization Act to carry out the following programs established by the Lieutenant Governor in Council to stabilize returns to producers:

i) Saskatchewan Hog Assured Returns Program (SHARP)

This program was established in 1976 under regulations issued pursuant to The Saskatchewan Agricultural Returns Stabilization Act. These regulations have been revoked and the program continues under The Saskatchewan Hog Assured Returns Program Regulations, 1983 (Order-in-Council 998/83) effective July 1, 1983.

ii) Cow Calf to Finish Market Insurance Plan

This Plan was established in 1982 under regulations issued pursuant to The Saskatchewan Agricultural Returns Stabilization Act. These regulations were revoked and the plan was continued under the Cow Calf to Finish Market Insurance Plan regulations authorized by Order-in-Council 457/83. Order-in-Council 309/90 terminated the Cow Calf to Finish Market Insurance Plan effective March 31, 1990.

iii) Feeder Finish Market Insurance Plan

This Plan was established under regulations authorized by Order-in-Council 456/83 pursuant to The Saskatchewan Agricultural Returns Stabilization Act. Order-in-Council 758/89 terminated the Feeder Finish Market Insurance Plan effective October 1, 1989.

3. Prior Period Adjustments

a) Adjustment to Levies

In prior years, the Saskatchewan Beef Stabilization Board (Board) did not fully record the unpaid levies due from producers and the Department of Agriculture and Food on animals enrolled under The Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan. The levies were not fully recorded due to a programming error in the system used to calculate producer levies. If a participant did not remit an annual return the system did not record levies due on those animals marketed by the producer outside the Board. The result of this error was, that over a period of six years, $955,675 in levies were not duly collected from producers. This amount (net of an allowance for doubtful accounts totalling $529,857) together with the matching contribution from the Department of Agriculture and Food ($955,675) has resulted in the fund balance at April 1, 1989 being increased by $1,381,493. Of the $1,381,493, $240,504 is applicable to the 1989 year and is reflected in the excess of revenue over expenditure for that year. The remaining $1,140,989 is applicable to years prior to April 1, 1988 and has been reflected as an increase in the April 1, 1988 fund balance. On the balance sheet, the 1989 contributions receivable from the Department of Agriculture and Food were increased by $955,675 and the 1989 contributions from producers were increased by $425,818. In 1990, these changes have no effect on current year balances.

b) Adjustment to Tripartite Expenses and Agriculture Stabilization Board (Canada) Receivable

For the year ended March 31, 1989, the Board recorded a receivable from the Agriculture Stabilization Board (Canada). This receivable was the difference between stabilization payments paid and levies collected on behalf of Canada under the National Tripartite Price Stabilization Scheme for Feeder Calves, Feeder Cattle and Slaughter Cattle (Agreement). As well, the Board recorded a penalty as set out in the Agreement, whereby, the Government of Saskatchewan agreed to pay the Agriculture Stabilization Board (Canada) the excess of:

i) the amount of stabilization paid to producers under the Feeder Finish Market and Cow Calf to Finish Market Insurance Plans on animals marketed after October 1, 1988 over,

ii) the amount of stabilization that was agreed to be paid for these animals under the Bridging Agreement dated February 9, 1989.

It has now been determined that these transactions should be accounted for through the Province of Saskatchewan's Consolidated Fund and not the Saskatchewan Agricultural Returns Stabilization Fund. As a result, the fund balance at April 1, 1989 has been increased by $2,774,100 which is reflected in the excess of revenue over expenditure in the 1989 year. On the balance sheet the 1989 receivables from the Agriculture Stabilization Board (Canada) have been reduced by $294,681 and the 1989 receivables from the Department of Agriculture and Food have been increased by $3,068,781. These changes have no effect on 1990 balances.

4. Related Party Transactions

Administrative Expenses

The Saskatchewan Hog Assured Returns Program (SHARP) is administered by the Saskatchewan Pork Producers Marketing Board. No costs for the administration of SHARP are included in these financial statements.

The Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan are administered by the Saskatchewan Beef Stabilization Board. No costs for the administration of the Cow Calf to Finish Market and Feeder Finish Market Insurance Plans are included in these financial statements.

5. Phase-out

a) Saskatchewan Hog Assured Returns Program (SHARP)

The Government of Saskatchewan has joined a national tripartite price stabilization scheme for hogs. The agreement calls for a complete phase-out of SHARP over the five years commencing April 1, 1986. Also, according to this agreement, SHARP quarterly stabilization payments to producers who are members of both SHARP and National Tripartite scheme are reduced by the amount of stabilization payable under the National Tripartite scheme.

b) Cow Calf to Finish Market and Feeder Finish Market Insurance Plans

The Government of Saskatchewan has joined a national tripartite price stabilization scheme for feeder calves, feeder cattle, and slaughter cattle. As a result of joining the scheme, the Cow Calf to Finish Market Insurance Plan was terminated on March 31, 1990 and the Feeder Finish Market Insurance Plan was terminated on October 1, 1989.

6. SHARP Reimbursement from Agriculture Stabilization Board (Canada) (ASB)

During 1989, the definition of quarter for the purpose of quarterly National Tripartite Stabilization payments was changed by ASB from a calendar quarter to a thirteen consecutive week period corresponding to the Livestock Weekly schedule. This change was retroactive to January 1, 1986.

This change meant that for the 1988 calendar year SHARP stabilization payments were higher than those that would have been paid under the new definition of a quarter.

In April 1989, SHARP was able to negotiate with ASB reimbursements of extra payments the program made to participating producers in 1988. These payments totalled $471,938.

7. Contingency

A possibility exists that the Saskatchewan Beef Stabilization Board will be named as a defendant in a law suit. The outcome of this possible law suit is not determinable at this time. Any payments arising from this possible law suit may be a charge on operations of the Saskatchewan Agricultural Returns Stabilization Fund in the year in which it is settled.

8. Comparative Figures

Certain 1989 balances have been reclassified to conform with current year's presentation.